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SUBJECT: BULGARIA: AS SIMEON'S PARTY FAILS TO FORM
GOVERNMENT, PARTIES BRACE FOR LAST-CHANCE TALKS

Ref: (A) SOFIA 1134, (B) SOFIA 1325, (C) SOFIA 1363, (D)

SOFIA 1380, (E) SOFIA 1404

1. (SBU) SUMMARY: PM Simeon Saxe-Coburg's party August 11 abandoned its attempt to form a government after failing to strike a coalition deal with the Bulgarian Socialist Party (BSP). The two parties have been at odds over forming a cabinet since the Socialists won the June general elections but failed to gain a clear majority. President Georgi Purvanov now must hand the third and final mandate to form a government to one of the smaller parties. The Socialists have indicated that they support a four-way coalition with the NMSS and two small parties. Insiders from both groups told us they were optimistic that they will be able to form a government relatively quickly this time around. Failure of this third attempt will force new elections in the fall.
END SUMMARY

2. (SBU) President Purvanov now has a week to task one of the remaining parliamentary groups to nominate a PM and try to form a government (Ref. A). The mandate is expected to go to either the ethnic-Turkish Movement for Rights and Freedoms (MRF) or the small center-right Bulgarian People's Union (BPU), both of which have indicated they would back a BSP-led government.

3. (SBU) The Socialists are working to forge a four-party coalition with their MRF allies, the NMSS, and the BPU. Socialist leader Sergei Stanishev, who remains the BSP's PM nominee, said Bulgaria may have a new government as early as next week. Insiders from both the BSP and the NMSS also appeared optimistic, saying that since the two largest parties have each blocked the other's attempt to form a government, the third mandate will be characterized by pragmatism rather than posturing. A senior BSP official told us the leaders of the four parties were scheduled to meet late on August 12 to discuss a coalition agreement. Many things can still go wrong, but party leaders told us they hope to reach agreement over the weekend on a coalition platform and distribution of ministerial positions. If they succeed, the vote in parliament could take place as early as next Wednesday, according to these sources.

4. (SBU) A four-party government would control 182 of parliament's 240 seats, more than the two-thirds majority required to pass constitutional amendments needed to meet EU requirements. If a deal with Simeon's party fails, the Socialists will try to form a government with the MRF and the BPU, which would be less stable and enjoy narrow public support, but would still have a majority of some 129 seats. If the third attempt to form a government fails, the President will dissolve parliament, install a caretaker government, and call new elections for the autumn. President Purvanov has urged parties to agree to a deal and quickly form a government (Ref. E).

5. (SBU) COMMENT: Public cynicism is high in the wake of the outgoing government's dithering response to widespread flooding (ref E). Many already accuse the politicians of fiddling while Rome burns, and further delay in forming a government could well result in postponement of Bulgaria's EU membership. The outcome of potential new elections is anybody's guess, but the consensus seems to be that they would not resolve the current political impasse, and could worsen the situation by bringing in more members of the extreme nationalist Ataka party. Fearing that another election cycle would further erode public faith in the political class, the major parties appeared determined to use this last chance to form a government. Although party leaders are optimistic at this point, the experience of the past month has shown that deals can fall apart in the eleventh hour. END COMMENT

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